



**CITY OF SEBASTOPOL CITY COUNCIL  
AGENDA ITEM REPORT FOR MEETING OF: XXXXX, 2026**

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**To:** Honorable Mayor and City Councilmembers  
**From:** Administrative Services Director Ana Kwong  
**Department:** Administrative Services  
**Subject:** Credit Card Processing Cost Analysis and Consideration of Convenience Fees

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**RECOMMENDATION(S):**

Staff recommends that the City Council receive and review the Citywide credit card processing cost analysis and provide direction regarding whether to maintain the current practice of absorbing credit card processing fees or direct staff to develop a policy and implementation options for a credit card convenience fee. Staff seeks City Council direction on whether to:

1. Maintain the current practice of absorbing credit card processing fees, or
2. Direct staff to return with a formal policy proposal and implementation options for a credit card convenience fee.

**PROCESS OF AGENDA ITEM:**

1. Introduction of agenda item by City staff
2. Questions and discussion from Councilmembers
3. Open for Public Comment
4. Council Discussion
5. Direction to Staff

**EXECUTIVE SUMMARY:**

The City conducted a citywide analysis of credit card processing costs to evaluate the financial impact of accepting credit card payments and to consider whether existing practices should be modified. The review examined nearly two fiscal years of transaction data (July 1, 2024 through March 31, 2026) across both onsite credit card terminals and the City’s online payment portal.

The analysis confirms that while online payments are more cost-efficient, overall credit card processing fees remain material and are currently absorbed by the City. Staff also identified operational, customer service, and equity considerations associated with implementing a credit card convenience fee. This item is presented for City Council discussion and direction regarding the City’s long-term approach to credit card processing costs.

**BACKGROUND:**

The City accepts credit card payments for a wide range of services, including utility bills, permits, licenses, and other transactions processed both in person and online. The current practice is to absorb credit card processing fees for most transactions. For Water and Sewer utility payments, these costs are paid through the enterprise funds. While online payments generally have lower per-transaction fees than onsite credit card terminal payments, overall costs remain substantial due to high transaction volumes and the continued growth in electronic payment usage.

**DISCUSSION:**

Historically, the City has absorbed credit card processing fees as a cost of doing business. One exception was adopted as part of the FY 2019–20 User Fee Schedule, which allows the City to assess a 3% transaction fee on permit payments exceeding \$5,000.

Since implementation, collections from this transaction fee have been limited. From FY 2020–21 through year-to-date FY 2025–26, total collections have amounted to \$5,780.05, as summarized below:

- FY21: \$500.22
- FY22: \$0
- FY23: \$177.31
- FY24: \$1,991.22
- FY25: \$1,934.11
- FY26 (Year to Date): \$1,177.19

To better understand the volume of credit card processing costs citywide, and to evaluate potential alternatives to the current approach, staff conducted a comprehensive review of credit card transaction data covering the period from July 1, 2024 through March 31, 2026. This analysis examines transaction volumes, payment methods, and associated processing costs across departments and service types, and is intended to inform future policy considerations related to cost recovery, fee structure, and customer payment options.

During the review period, the City processed a total of 19,370 credit card transactions, generating \$6,285,096.62 in credit card sales and incurring \$100,792.02 in processing fees.

Transactions occurred through two primary channels:

- Onsite credit card terminals (primarily West America)
- Online payment portal (Bluefin/Civic Pay)

The data shows that online payments account for the majority of transactions and dollar volume, while onsite terminal transactions have a significantly higher per-transaction cost. Onsite fees are paid through general funds; online utility bill payment fees are absorbed by the Water/Sewer Fund.

Payment Method	Transactions	Total Sales	Fees Paid	Avg. Cost per Transaction	% of Sales
Onsite	4,120	\$1,031,006.73	\$30,594.76	\$7.43	2.97%
Online	15,250	\$5,254,089.89	\$70,197.26	\$4.60	1.34%
<b>Total</b>	<b>19,370</b>	<b>\$6,285,096.62</b>	<b>\$100,792.02</b>	<b>\$5.20</b>	<b>1.60%</b>

**STAFF ANALYSIS:**

Staff confirmed that onsite credit card terminal fees average nearly double the cost of online payments, primarily due to higher merchant processing rates.

A survey of nearby cities and water districts shows mixed practices regarding credit card convenience fees:

- Approximately 60% of surveyed agencies charge some form of credit card fee
- Fee structures vary widely, including percentage-based fees (generally 2.9%–3.5%) and flat minimum charges
- Several agencies do not clearly disclose fees until checkout

Examples include Santa Rosa (2.95% with minimum), Cloverdale (2.9% with minimum), and Marin County (3.5% with minimum).

Staff identified several operational and customer-facing concerns associated with implementing a convenience fee:

**Potential Challenges**

- Customers are already sensitive to utility rates and billing changes
- Customers frequently do not read bill inserts or notices, increasing the risk of confusion and complaints

- A new fee appearing at checkout may lead to further confusion and dissatisfaction
- Increased use of checks could shift workload back to staff, reducing efficiency and increasing NSF risks

**Potential Benefits**

- Convenience fees are a widely accepted industry practice
- Cost responsibility shifts directly to users who choose credit card payments

**BUDGET COMMITTEE REVIEW & ENTERPRISE FUND OVERSIGHT COMMITTEE REVIEW:**

This item is scheduled to be reviewed by the Budget Committee at its meeting on April 28, 2026.

**CITY COUNCIL GOALS / PRIORITIES / GENERAL PLAN CONSISTENCY:**

This action directly supports the City Council’s goals and priorities including:

- High Performance Organization
- Restoring public trust through transparent governance and improved community engagement.

**PUBLIC COMMENT:**

As of the preparation of this staff report, no public comments have been received on this item. Any comments received after distribution of the report will be provided to the City Council as supplemental materials. Public comment will also be accepted during the meeting.

**COMMUNITY OUTREACH:**

This item has been noticed and made available for public review in accordance with the Ralph M. Brown Act, at least 72 hours prior to the scheduled meeting.

**FISCAL IMPACT:**

Staff time to prepare this report is covered within existing budgeted salaries. The fiscal impact would be dependent if a fee was charged to the customer rather than being absorbed by City funds.

An example would be based on the credit card payments as noted in the above table, there would be a minimum reduction of \$100,792 to the General and Enterprise Funds.

On average, credit card processing fees range from approximately 1.5% to 3.5% per transaction. Based on historical credit card activity, implementation of a 3.5% processing fee could increase General and Enterprise Fund revenues by an estimated \$219,978, assuming transaction volumes remain stable or increase.

**RESTATED RECOMMENDATION:**

That the City Council receive and review the Citywide credit card processing cost analysis and provide direction regarding whether to maintain the current practice of absorbing credit card processing fees or direct staff to develop policy and implementation options for a credit card convenience fee.

Staff seeks City Council direction on whether to:

1. Maintain the current practice of absorbing credit card processing fees, or
2. Direct staff to return with a formal policy proposal and implementation options for a credit card convenience fee.

**APPROVALS:**

Department Head Approval:

Approval Date: 4/22/26

CEQA Determination (Planning):

Approval Date: 4/22/26

Environmental Review: This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§15378 and 15061(b)(3) as it will not result in any direct or indirect physical change in the environment.

Administrative Services (Financial)

Approval Date: 4/22/26

Costs authorized in City Approved Budget:  Yes  No  N/A Account Code (if applicable)

City Attorney Approval:

Approval Date:

City Manager Approval:

Approval Date: 4/22/26

DRAFT

Description	Onsite*	Online**
Total number of credit card transaction	4,120	15,250
Total credit card sales	\$ 1,031,006.73	\$ 5,254,089.89
Total fee paid	\$ 30,594.76	\$ 70,197.26
Average Cost per transaction	\$ 7.43	\$ 4.60
% cost of each transaction	2.97%	1.34%

\* Onsite means West America's credit card processing machine

\*\*Online means utility billing online payment with credit/debit cards fees paid for by Water/Sewer Fund

Credit Card Cost Analysis

	West America - Pre Online Payment **ALL LOCATIONS**					UB Bluefin/CivicPay - Online Bill Payment						Grand Total					
	Number of CC Transactions	Credit Card Sales	Credit Card Fees	Average Cost per Transaction	Percent Cost of Sales	Number of CC Transactions	Springbrook Flat Fee	Credit Card Sales	Credit Card Fees	Average Cost per Transaction	Percent Cost of Sales	Total number of CC Transactions	Springbrook Flat Fee	Total Credit Card Sales	Total Credit Card Fees	Total average cost per Transaction	Total Percent Cost of Sales
<b>FY 24/25 &amp; FY 25/26</b>																	
July '24	107	\$ 37,479.46	\$ 1,128.50	\$ 10.55	3.01%	266		\$ 66,057.49	\$ 915.28	\$ 3.44	1.39%	373		\$ 103,536.95	\$ 2,043.78	\$ 5.48	1.97%
Aug '24	113	\$ 53,343.11	\$ 1,593.70	\$ 14.10	2.99%	1,070		\$ 368,664.09	\$ 4,873.32	\$ 4.55	1.32%	1,183		\$ 422,007.20	\$ 6,467.02	\$ 5.47	1.53%
Sept '24	127	\$ 40,431.32	\$ 1,297.40	\$ 10.22	3.21%	360		\$ 112,794.25	\$ 1,332.23	\$ 3.70	1.18%	487		\$ 153,225.57	\$ 2,629.63	\$ 5.40	1.72%
Oct '24	122	\$ 35,094.96	\$ 1,032.31	\$ 8.46	2.94%	289		\$ 122,795.79	\$ 2,172.46	\$ 7.52	1.77%	411		\$ 157,890.75	\$ 3,204.77	\$ 7.80	2.03%
Nov '24	338	\$ 68,492.65	\$ 2,120.81	\$ 6.27	3.10%	1,037		\$ 398,850.37	\$ 4,739.87	\$ 4.57	1.19%	1,375		\$ 467,343.02	\$ 6,860.68	\$ 4.99	1.47%
Dec '24	220	\$ 32,166.48	\$ 974.44	\$ 4.43	3.03%	320		\$ 140,878.45	\$ 1,797.57	\$ 5.62	1.28%	540		\$ 173,044.93	\$ 2,772.01	\$ 5.13	1.60%
Jan '25	428	\$ 85,481.26	\$ 2,391.52	\$ 5.59	2.80%	1,096		\$ 389,165.26	\$ 4,211.93	\$ 3.84	1.08%	1,524		\$ 474,646.52	\$ 6,603.45	\$ 4.33	1.39%
Feb '25	199	\$ 56,453.99	\$ 1,499.99	\$ 7.54	2.66%	293		\$ 116,205.66	\$ 1,930.07	\$ 6.59	1.66%	492		\$ 172,659.65	\$ 3,430.06	\$ 6.97	1.99%
Mar '25	174	\$ 43,529.00	\$ 1,278.21	\$ 7.35	2.94%	1,068		\$ 341,584.78	\$ 3,915.66	\$ 3.67	1.15%	1,242		\$ 385,113.78	\$ 5,193.87	\$ 4.18	1.35%
April '25	145	\$ 50,694.16	\$ 1,533.41	\$ 10.58	3.02%	342		\$ 129,793.93	\$ 2,235.10	\$ 6.54	1.72%	487		\$ 180,488.09	\$ 3,768.51	\$ 7.74	2.09%
May '25	122	\$ 38,693.08	\$ 1,182.38	\$ 9.69	3.06%	1,058		\$ 323,922.26	\$ 3,680.71	\$ 3.48	1.14%	1,180		\$ 362,615.34	\$ 4,863.09	\$ 4.12	1.34%
June '25	96	\$ 27,733.67	\$ 878.21	\$ 9.15	3.17%	435		\$ 167,864.54	\$ 3,379.74	\$ 7.77	2.01%	531		\$ 195,598.21	\$ 4,257.95	\$ 8.02	2.18%
July '25	112	\$ 36,225.41	\$ 1,209.52	\$ 10.80	3.34%	1,483		\$ 475,915.69	\$ 6,638.07	\$ 4.48	1.39%	1,595		\$ 512,141.10	\$ 7,847.59	\$ 4.92	1.53%
Aug '25	133	\$ 41,347.11	\$ 1,187.85	\$ 8.93	2.87%	1,169		\$ 239,599.78	\$ 3,396.55	\$ 2.91	1.42%	1,302		\$ 280,946.89	\$ 4,584.40	\$ 3.52	1.63%
Sep '25	136	\$ 46,307.86	\$ 1,114.98	\$ 8.20	2.41%	387		\$ 153,020.85	\$ 2,745.43	\$ 7.09	1.79%	523		\$ 199,328.71	\$ 3,860.41	\$ 7.38	1.94%
Oct '25	193	\$ 52,350.50	\$ 1,576.25	\$ 8.17	3.01%	1,136		\$ 446,651.74	\$ 5,099.34	\$ 4.49	1.14%	1,329		\$ 499,002.24	\$ 6,675.59	\$ 5.02	1.34%
Nov '25	321	\$ 55,427.44	\$ 1,719.29	\$ 5.36	3.10%	419		\$ 167,453.67	\$ 2,778.51	\$ 6.63	1.66%	740		\$ 222,881.11	\$ 4,497.80	\$ 6.08	2.02%
Dec '25	283	\$ 66,403.12	\$ 2,010.27	\$ 7.10	3.03%	1,107		\$ 413,460.87	\$ 4,561.91	\$ 4.12	1.10%	1,390		\$ 479,863.99	\$ 6,572.18	\$ 4.73	1.37%
Jan '26	404	\$ 65,685.04	\$ 2,003.23	\$ 4.96	3.05%	458		\$ 180,504.61	\$ 3,119.11	\$ 6.81	1.73%	862		\$ 246,189.65	\$ 5,122.34	\$ 5.94	2.08%
Feb '26	210	\$ 67,560.18	\$ 1,854.80	\$ 8.83	2.75%	1,037	291.25	\$ 345,050.69	\$ 3,917.55	\$ 3.78	1.14%	1,247	\$ 291.25	\$ 412,610.87	\$ 5,772.35	\$ 4.63	1.40%
Mar '26	137	\$ 30,106.93	\$ 1,007.69	\$ 7.36	3.35%	420	114.75	\$ 153,855.12	\$ 2,756.85	\$ 6.56	1.79%	557	\$ 114.75	\$ 183,962.05	\$ 3,764.54	\$ 6.76	2.05%
<b>FY 2024/25 &amp; FY 25/26</b>	<b>4,120</b>	<b>\$ 1,031,006.73</b>	<b>\$ 30,594.76</b>	<b>\$ 7.43</b>	<b>2.97%</b>	<b>15,250</b>	<b>406.00</b>	<b>\$ 5,254,089.89</b>	<b>\$ 70,197.26</b>	<b>\$ 4.60</b>	<b>1.34%</b>	<b>19,370</b>	<b>406.00</b>	<b>\$ 6,285,096.62</b>	<b>\$ 100,792.02</b>	<b>\$ 5.20</b>	<b>1.60%</b>